

## **CABINET**

**21 NOVEMBER 2017**

### **PROVISIONAL FUNDING FORMULA FOR MAINSTREAM SCHOOLS AND ACADEMIES 2018-2019**

Portfolio Holders: Councillor Andrew Mackness, Children's Services  
(Lead Member)  
Councillor Martin Potter, Educational Attainment and  
Improvement

Report from: Ian Sutherland, Director of Children and Adults  
Services

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#### **Summary**

Officers have formulated and consulted upon the 2018-19 schools and academies funding arrangements and recommend the following changes to Medway's mainstream schools and academies provisional funding formula.

#### **1. Budget and Policy Framework**

- 1.1 Funding for schools and academies is provided by central government in the form of the Dedicated Schools Grant (DSG). The DSG is ring-fenced and regulations prevent the DSG being spent on anything other than schools or academies.
- 1.2 The remainder of this report deals with the funding formula used to distribute DSG funds to Medway schools and academies in a fair and transparent way, as well as the funding retained centrally to support schools and is therefore a matter for decision by the Cabinet.

#### **2. Background**

- 2.1 The then coalition government announced its intention to reform the school and academy funding system in its White Paper *The Importance of Teaching*, (November 2010) referring to the existing arrangements as:
  - Opaque and extremely complex.
  - Unfair as they lead to schools and academies with similar intakes receiving very different levels of funding.

- Failing to reflect need accurately.
  - Failing to support the new school system (i.e. academies and free schools).
- 2.2 In July 2011 the then government launched its first consultation on school and academy funding reform. This included proposals for a national funding formula for schools and academies but, having reflected on the responses, the government decided to delay its introduction. The government have made sufficient changes to the school funding system over the years but have stopped short of a national funding formula.
- 2.3 The government papers, *School Funding Reform: Findings from the Review of 2013-14, Arrangements and Changes for 2014-15* and *Schools Funding 2016-17: Operational Guide* continued the journey with changes to schools and academy funding.
- 2.4 In July 2016 the government began consulting on a new schools national funding formula (NFF). This was a two-stage consultation and it was announced in July 2017, that the NFF would be introduced from April 2018.
- 2.5 The Education Skills Funding Agency (ESFA) was formed in April 2012 to take over the operational functions of the Department for Education (DFE) and has a significant role in overseeing the funding arrangements.
- 2.6 The latest government paper *Schools Funding 2018-19: Operational Guide* outlines the schools and academies funding arrangements for the 2018-19 financial years.
- 2.7 The total Schools Block DSG funding for each Local Authority will be calculated using the NFF and for the next two years, each local authority can either opt to implement the NFF or a Local Funding Formula (LFF).
- 2.8 In previous years, the government has set the Minimum Funding Guarantee (MFG) at minus 1.5% meaning that a school or academy cannot have a cut in funding of more than 1.5% per pupil per year over this period. In order to fund this, the Schools Forum recommended to Cabinet, that a MFG cap of 1.5% should be applied to stop schools or academies from gaining more than 1.5%.
- 2.9 This year, the government has announced MFGs as follows:
  - A Minimum Funding Per Pupil Level– schools/academies will receive a 0.5% increase on the pupil lead factors between 17/18 and 18/19.
  - A Minimum Funding Guarantee - A Primary school will receive £3,300 per pupil and £4,600 per pupil for secondary schools in 2018/19.
However, each local authority can set its own MFG ranging from -1.5% up to 0.5% as part of the funding formula.
- 2.10 The ESFA has removed the requirement for local authorities to submit a formal provisional funding formula but Medway must confirm their final funding formula by 19 January 2018.

### **3. Allocation of the 2018-19 Funding Formula**

3.1 Three Funding Formula options (with financial modelling) were presented to the Schools Forum for their consideration. These options were:

- i) To keep the same Local Funding Formula as 2017-18.
- ii) To use the National Funding Formula.
- iii) To use a Local Funding Formula which is moving towards the National Funding Formula.

3.2 The financial modelling was built using the October 2016 census data but the *final budget* allocations will be based on actual pupil numbers from the Autumn census in October 2017 and this data will be released by the DFE in December 2017.

3.3 The Lump Sum funding factor may need to be recalculated when the final pupil numbers are known to ensure the funding formula can be contained with the allocated DSG budget. This is the same procedure as last year.

3.4 The Schools Forum have recommend to Cabinet to implement a Local Funding Formula which is moving towards the NFF including offering both the government's MFG requirements as outlined in section 2.9 of the report.

3.5 Cabinet is asked to approve the above methodology in order that the local authority can balance the funding formula budget to the funding actually received from government for 2018-19.

### **4. Advice and analysis**

4.1 The membership of the Schools Forum includes representatives of head teachers and governors from primary and secondary schools and academies.

4.2 On 16 October 2017, the Schools Forum considered the issues relating to the funding formula at length and asks the Cabinet to implement the following recommendations relating to the funding formula:

- To implement a new Medway schools and academies local funding formula from April 2018.
- To offer a Minimum Funding per Pupil Level increase of 0.5% on the pupil lead factors between 17/18 and 18/19. (See paragraph 2.9 of the report).
- To offer a Minimum Funding per Pupil Guarantee of £3,300 for a Primary school/academy and £4,600 per pupil for secondary schools in 2018/19. (See paragraph 2.9 of the report).
- In order to balance the funding formula allocation back to the actual funding received, the local authority should adjust the factors listed above. (See paragraph 3.3 of this report).

4.3 The Cabinet will receive a further report on 16 January 2018; this will present the final recommendations from the Schools Forum (10 January 2018) for the final funding formula taking account of the latest school census data. As the final funding formula must be submitted to the ESFA by 19 January 2018, it is proposed that the Cabinet will be asked to waive call-in on its decision in respect of the final funding formula for 2018/19.

## 5. Risk management

Risk	Description	Action to avoid or mitigate risk	Risk rating
Small schools and academies become financially non-viable	The revised formula impacts adversely on small schools and academies and leaves them with insufficient funds to operate effectively.	A significant lump sum has already been included in the formula. The 'Sparsity' factor is targeted at small rural schools and academies to ensure small schools remain viable.	E2
Increase in schools and academies with a budget deficit	Schools and academies that lose funding under the formula do not act to reduce their expenditure and incur deficits.	Officers will work with schools to help them amend their budget plans and manage the impact. Academies will work with the Education Funding Agency.	D3
Increasing redundancy costs	Schools and academies that lose funding under the formula may need to reduce their staffing.	The minimum funding guarantee provides schools and academies with transitional protection that will help them take advantage of natural wastage.	D3

## 6. Consultation

- 6.1 The three Funding Formula options were discussed with the Schools Forum on 16 October 2017. The Schools Forum has provisionally agreed to implement funding formula option 3.
- 6.2 All schools and academies were consulted on the three funding formula options between the 4 October 2017 to 15 October 2017 and they were informed of the potential financial implications under each of the three funding options.
- 6.3 Using the Council's online contact system, e-mails were sent to Head teachers, Finance Officers and office/finance at addresses of both maintained schools and academies. Copies of the consultation were uploaded to SLA online and e-mailed directly to head teachers. Presentations were presented and discussed at the September school finance meetings (26 September and 4 October 2017) with finance officers of both maintained schools and academies.

- 6.4 Following Cabinet, the Schools Forum will meet on 10 January 2018 to consider the final funding formula taking account of the latest school census data.

## **7 Financial and legal implications**

- 7.1 The report relates to potential changes in the distribution of the Dedicated Schools Grant (DSG). Any impact will remain within the DSG and will not affect the Council's general fund.
- 7.2 The funding formula only affects mainstream schools and academies. The funding of special schools and academies, and specialist SEN provision within mainstream schools and academies does not form part of these changes.
- 7.3 The potential impact on individual schools is mitigated by the Government's Minimum Funding Guarantee. However, the actual impact will depend on pupil numbers and other data drawn from the Autumn 2017 school census.
- 7.4 The funds provided through the Pupil Premium Grant, the Early Years Single Funding Formula and School Sixth Form Grants are unaffected by changes to the mainstream schools funding formula.
- 7.5 Other than the legal framework within which Cabinet is being asked to make these decisions, which is set out in the body of this report, there are no other legal implications.

## **8. Recommendation**

- 8.1 The Cabinet is asked to instruct officers to implement the 2018-19 provisional funding formula (option 3) and to note that the Schools Forum will recommend approval of the final funding formula to Cabinet on 16 January 2018.

## **9. Suggested reasons for decision(s)**

- 9.1 The local authority is required to implement the funding formula changes from 2018-19 in accordance with the regulations and to inform the Education Skills Funding Agency.

### **Lead officer contact**

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### **Appendices**

None.

## **Background papers**

Education Funding Agency (July 2015) - Schools Funding 2016 to 2017: Operational Guide

<https://www.gov.uk/government/publications/schools-funding-arrangements-2016-to-2017>

Final Funding Formula for Mainstream Schools and Academies 2015-16 – Cabinet 10 February 2015

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2962>

Funding formula for Mainstream Schools and Academies – Cabinet 28 October 2014

<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2958>